

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Middlesex County Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: October 13, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made in equal installments on July 1 and January 1 of each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.50% to 7.30%.

The prior schedule completed the amortization of the unfunded actuarial liability (UAL) in FY35. We continue to recommend that systems complete the amortization of the UAL by FY35. The current schedule extends the amortization to FY37. We recommend the Board consider reducing this period when the next valuation is performed.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Section 2: Actuarial Valuation Results

Funding schedule

(1) Fiscal year ended June 30:	(2) Employer Normal Cost	(3) Amortization of 2010 ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Actuarially Determined Contribution (ADC): (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in ADC Over Prior Year
2021	\$27,765,926	\$60,290	\$110,021,367	\$137,847,583	\$1,700,719,456	--
2022	28,786,188	60,291	117,961,197	146,807,676	1,708,816,737	6.50%
2023	29,843,623	0	126,506,552	156,350,175	1,709,134,434	6.50%
2024	30,939,574	0	135,573,362	166,512,936	1,700,529,817	6.50%
2025	32,075,434	0	145,260,843	177,336,277	1,681,738,242	6.50%
2026	33,252,648	0	155,610,487	188,863,135	1,651,361,710	6.50%
2027	34,472,710	0	166,666,529	201,139,239	1,607,856,424	6.50%
2028	35,737,168	0	178,476,122	214,213,290	1,549,519,254	6.50%
2029	37,047,627	0	188,320,724	225,368,351	1,474,473,030	5.21%
2030	38,405,750	0	195,853,553	234,259,303	1,383,569,612	3.95%
2031	39,813,257	0	203,687,695	243,500,952	1,278,088,646	3.95%
2032	41,271,934	0	211,835,203	253,107,137	1,156,648,308	3.95%
2033	42,783,626	0	220,308,611	263,092,237	1,017,753,193	3.95%
2034	44,350,249	0	229,120,955	273,471,204	859,785,517	3.94%
2035	45,973,785	0	238,285,793	284,259,578	680,995,655	3.94%
2036	47,656,289	0	247,817,225	295,473,514	479,491,965	3.94%
2037	49,399,886	0	257,729,914	307,129,800	253,229,850	3.94%
2038	51,206,783	0	0	51,206,783	0	-83.33%

Notes:

Fiscal 2021 Actuarially Determined Contribution set to budgeted amount.

Actuarially Determined Contributions are assumed to be paid on July 1 and December 31.

Item (2) reflects 3.25% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Item (3) reflects level dollar amortization.

Item (4) increases 4% per year beginning in fiscal 2030.

Projected normal cost does not reflect the impact of pension reform for future hires.

Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment gains.